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*[Signature]*

Executive Secretary  
*5/9/83*  
Date

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DEPARTMENT OF STATE

Washington, D.C. 20520

Executive Registry

83-2467

May 9, 1983

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MEMORANDUM FOR MR. DAVID E. PICKFORD  
DEPARTMENT OF THE TREASURY

SUBJECT: SIG-IEP: UNCTAD VI Strategy

Under Secretary Wallis has asked that the attached strategy paper for UNCTAD VI, which was developed with the help of USTR and Treasury, be referred to the SIG-IEP for future discussion.

Attachment:  
As stated.

Charles Hill  
Executive Secretary

cc: OVP - Mr. Donald P. Gregg -8314018  
NSC - Mr. Michael O. Wheeler-8314019  
Agriculture - Mr. Raymond Lett-8314020  
CEA - Mr. William Niskanen -8314021  
CIA -   
Commerce - Mrs. Helen Robbins-8314023  
Defense - Colonel John Stanford-8314024  
OMB - Mr. Alton Keel -8314025  
OPD - Mr. Edwin Harper -8314026  
USTR - Mr. Dennis Whitfield -8314028

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## U.S. STRATEGY FOR UNCTAD VI

### INTRODUCTION

Preparations for UNCTAD VI are going forward on the basis that the Belgrade Conference can be effectively used to project a strong, positive statement of established U.S. policies on development, trade, and finance, along the lines of President Reagan's statement at Cancun. Inasmuch as UNCTAD is a forum for political discussions (not for "Global Negotiations", which we have no interest in reviving) the U.S. will, therefore, stress that meaningful North-South dialogue should:

- focus on real development problems which cooperative efforts may address;
- respect the competence, functions and powers of the specialized agencies;
- aim at achieving and sustaining mutually beneficial international growth; and
- take place in an atmosphere of cooperative spirit.

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Our major themes at UNCTAD will be (1) joint responsibility of industrial and developing countries for sustaining and improving an open international trading and financial system that can contribute to growth for all countries, and; (2) the essentiality of sound domestic policies, including sound investment policies, in order to exploit the benefits of an open international trade and finance system at the national level. Although we are not planning any "concessions" at Belgrade, we have decided against writing off UNCTAD as hopeless. Our general approach is to set a constructive tone at UNCTAD in order to set the stage for serious dialogue in the other organizations where actual business is done. Whatever new initiatives we can undertake belong almost exclusively in other fora than UNCTAD.

U.S. OBJECTIVES AT UNCTAD VI

1. To project, drawing on the Economic Summit outcome, an image of united Western leadership and confidence in economic recovery and our long-term political and economic strength.
2. To gain wider recognition for the reality that constructive North-South dialogue centers on joint responsibility and mutual advantage in sustaining and improving an open international trading and financial system.

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3. To avoid conference outcomes which are economically unsound, financially costly or impinge upon the competence of other institutions.

4. To further diminish pressures for Global Negotiations.

POSITIVE STRATEGY

The U.S. strategy at UNCTAD VI will be based on a positive statement of our economic philosophy, and on consistent adherence to existing policies. We will make a strong statement of the type of economic world we would like to help build, and the broad policy rules and responsibilities we and others must accept if interdependence is to produce the greatest possible benefits to all countries. We will assert that the proper central focus of international cooperation is sustaining and improving an open international trading and financial system that supports growth in both developing and industrial countries. This prescribes a framework of joint responsibility and mutual advantage. We will make it clear that unilateral demands of one side or another are not reflective of the reality of the world in which we now live and that the Conference can have a constructive outcome only if the positions of individual countries and blocs of countries are realistic and non-confrontational.

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The U.S. will stick firmly to President Reagan's "four understandings" and will clearly state at Belgrade that they are appropriate guidelines for the conduct of UNCTAD's business. The U.S. delegation will speak out clearly about U.S. views of the kinds of LDC government policies that promote successful development and those that impede it, and about other related aspects of a welfare-maximizing world economic order.

We will lead with the issue of open trade, anti-protectionism, and structural adjustment through the free play of market forces. We will stress the necessity for governments to be responsible for their own success in development. This success depends both on rational agricultural policy and on providing an attractive environment for private initiative and for private capital from the developed countries. We will point out the successful cases of recent development in countries that have wisely put this general philosophy into operation.

Trade is the primary source of external resources and impetus to growth for all countries. Open markets in all countries also provide stimulus to efficient allocation of

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resources and restraint on inflation. Thus, those developing countries that have grown fastest over the last two decades have been ones most open to international trade and investment. The U.S. has a good record in resisting protectionism and has provided the market for close to half the manufactured exports of non-OPEC developing countries to industrialized countries. U.S. recovery is now leading the way to revival of world trade.

International finance offers developing countries a variety of opportunities to supplement trade and service income with capital imports. The objective of concerted efforts to surmount the debt/liquidity problems of a number of developing countries over the past year has been to sustain their creditworthiness and ability to import capital vital to their future growth. The IMF quota increase and related liquidity measures should allow this adjustment to proceed at a tolerable pace and help revive private bank financing to developing countries.

Private investment contributes substantially to economic growth, adds to know-how and technology, and can help open foreign markets. Up to the mid 1970's such investment provided a significant share of external financial flows to Latin America and other developing countries. It should again.

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There is a significant role for multilateral development banks in creating and supporting opportunities for private investment and financing for developing countries through the selection and structure of banks' projects. We seek to allocate more of the MDB's resources to the poorest developing countries. Concessional aid is most effectively concentrated on the poorest developing countries which, while pursuing sound development policies, still have very limited access to capital markets.

Foreign financing cannot support effective development unless the domestic policies of the receiving country are sound. Adequate incentives for people to produce, save, and invest, and market prices to allocate those scarce investment resources most efficiently are essential for sustained growth.

#### SOME TACTICAL ISSUES

Many of our positions on specific issues are shared by the Group B countries, but others are not. The principal differences concern commodity price and income policies, and UNCTAD's (vs. GATT's) role in trade in services. We should

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inform Group B promptly and forthrightly of where we stand, and make it clear that we won't compromise the jurisdiction of GATT, the IMF, the World Bank, or related bodies; also, we won't embarrass the EC unduly on the subject of agriculture, assuming that they don't sandbag us on the commodity agreements and earnings stabilization issues or on services.

One point is clear, however. Any hope of turning UNCTAD around depends critically on Group B strategy. If the other governments continue their cynical approach, and try to curry favor with the G-77 extremists by voting for irresponsible resolutions (while relying on the U.S. to oppose them), there will be no hope. Therefore we have to tell our Group B colleagues in advance that we have not written off UNCTAD and think that they would be mistaken to do so (by an overly cynical approach). We should say that taking firm and responsible positions as a group is the only way to save the organization from itself or to advance the North-South dialogue.

Our objective, at a minimum, in coordinating policies is to improve the chances of constructive cooperation with our allies in other fora, where most of the issues raised by the G-77 will in fact be dealt with. We will seek to do this at several levels, including the OECD Ministerial and subsequent meetings of Trade and Finance ministers and the discussions on the occasion of the Economic Summit.

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We will also be open and frank in reviewing our position with the Yugoslav hosts of the UNCTAD Conference and key LDC's in their capitals. By getting our approach out early we will seek to preempt any increase in expectations for the Conference.

We will tell our G-77 interlocutor that while we are willing to discuss broadly in UNCTAD development problems and international cooperation for development, we will stress that when developing countries try to place on the agenda for future consideration by other institutions proposals we and some other significant industrial countries cannot support, these proposals simply will not prosper. We will stress that we cannot buy good behavior from the G-77, and that confrontation tactics will not be productive. Our goal is to encourage their moderates to pursue a reasonable and constructive approach. To that end we will set a constructive tone for our discussions at the Conference.

We will work for a small number of specific resolutions as a realistically positive outcome for the Conference, (some of which we could hopefully support). We will try to avoid omnibus resolutions (which tend to contain elements we must oppose). Trade is our most promising area. Some of these resolutions could be hortatory resolutions encouraging

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consideration in other institutions of important parts of the future agenda. When these focus on parts of our agenda we can support such action. Where resolutions include endorsement of measures we cannot support we will point out that these cannot prosper without strong industrial country support and, if sponsors persist, vote against them. If, on two or three issues, that means almost unanimous votes against us, like the vote on the agenda for this Conference, so be it. Tactically, it would be unwise to propose unsound "modest initiatives" in the hope of buying Group B unity or restrained behavior by the G-77. And it is clear that the U.S. has nothing to gain and something to lose by promising money or institutional changes that we don't intend to or cannot deliver. Those initiatives that we can mention at Belgrade will be negotiated only in the appropriate fora, which for the most part are elsewhere than UNCTAD.

Trade. Should be at the top of the agenda emphasizing resistance to protectionism, mutual roll-back of protectionist measures taken during recession, and liberalization by developing and industrial countries. We support exploration of new trade negotiations involving developing and industrial countries as long as timing is left open and the negotiations take place in the GATT.

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Debt/Liquidity. Prompt completion of the IMF quota increase will be mentioned as a high priority concern, as well as a steady-as-we go approach on liquidity/debt problems. We should emphasize that restoration of full creditworthiness and ability to import capital are the goals; therefore, a debt conference, and forgiveness or assumption of debt from private parties, are not in the interest of developing or industrial countries. A monetary conference on other systemic issues is simply not warranted at this time. We will emphasize that economic recovery and a more open trading system are the main elements of the solution to the debt problem, as a reply to radical proposals for "solutions".

Private Investment. Developing countries should improve their climate and openness to investment from abroad (as well as from domestic sources). When they do, capital exporting countries should be willing to help them gain recognition for their efforts through bilateral investment treaties and insurance programs, including a World Bank-led arrangement if developing countries are interested.

Aid. We could usefully emphasize the economic crisis, especially affecting agriculture, which engulfs most of Africa as long as the critical need for agricultural policy reforms is highlighted. We could also support a role for World Bank in helping define critical policy reforms that are needed to give increased investment in agriculture at the country level a

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chance to produce desired results. We cannot envisage an increase in U.S. contributions to IDA. We will view IDA VII on its own merits and not negotiate funding levels at UNCTAD VI.

Commodities. We remain highly skeptical regarding the case for any new commodity agreements with "economic" provisions, although we continue to participate in some existing ones. We oppose the creation of new institutions or schemes for commodity earnings stabilization. We are reviewing within the IMF the operation of the IMF's compensatory financing facility and are considering whether its operation can be improved. Whatever actions are taken, we shall assure that they do not prejudice the IMF's ability to meet its primary obligation of general balance of payments financing in support of adjustments programs. We would state forthrightly that we will not participate in any plan that ties financial aid to specific prices, as opposed to total export earnings. We encourage market-directed investment toward greater diversification of export earnings.

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